

STATE OF LOUISIANA :
PARISH OF EAST BATON ROUGE :

Lease No. 318

A

WHEREAS, under the provisions of Act No. 30 of the Extra Legislative Session of 1915, as amended by Act 315 of 1928, application was made to the Governor for a lease of the hereinafter described lands, and a report thereon having been made by the Register of the State Land Office; and,

WHEREAS, in response to said advertisements, bids were received at the State Capitol on the 2nd day of July, 1935, in the presence of Lucille May Grace and Carl Campbell; and,

WHEREAS, it appears that the bid of Wm. T. Burton, hereinafter styled "lessee", is the most advantageous to the State of Louisiana:

NOW, THEREFORE, Be It Known And Remembered, that said Governor O. K. Allen, acting under the authority of the said Act No. 30 of the Extra Session of 1915, as amended by Act No. 315 of 1928, and in accordance with the terms thereof, and acting in behalf of the State of Louisiana as "lessor", does hereby let and lease unto the said lessee, his heirs and assigns, the hereinafter described property, for the purpose of exploiting the same by geophysical means in locating mineral bearing structure thereon, and for producing therefrom oil, gas and/or other minerals, in and under said lands, and also the exclusive right of drilling and operating thereon for oil, gas and/or other minerals, together with a right of way for, and the right to lay pipe lines to convey water, oil, steam and gas, and the right to have sufficient water from the premises to drill and operate any wells which the said lessee may bore thereon, and also such other privileges as are reasonably requisite for conducting such operations, and the right to remove from said premises at any time any and all property that may have been placed thereon by lessee, provided that the said lessee shall have fulfilled its obligations to lessor hereunder.

The said property to which this instrument applies is described as follows:

All of the beds and water bottoms of Lake Maurepas, Pass Manchac, North Pass or North Pass Manchac, Lake Pontchartrain, Lake St. Catherine and that pass or body of water known as Rigolets connecting Lake Pontchartrain, Lake Catherin and Lake Borgne, together with all beds and water bottoms of rivers, streams, creeks, bayous, lagoons, bays, coves, sounds and inlets and other lands belonging to the State of Louisiana and not under lease on the date of application, to-wit: June 7, 1935, lying within an area adjacent to the above mentioned water bodies and extending from the edge of their said beds and water bottoms back, away from, or inland to a line one mile from and parallel to said edge, including all islands in said water bodies and/or within said area adjacent thereto, belonging to the State of Louisiana on the date of application, to-wit: June 7, 1935, containing in all approximately 470,000 acres, lying within or bounded by Livingston, Tangipahoa, St. Tammany, Orleans, Jefferson, St. Charles, and St. John the Baptist Parishes, Louisiana.

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TO HAVE AND TO HOLD unto the said lessee, his heirs and assigns, for the term and under the conditions hereinafter set forth, to-wit:

I.

Lessee has this day paid to lessor the sum of Thirty Two Thousand Seven Hundred Fifty & No/100 (\$32,750.00) Dollars for the right to begin operations for the drilling of a well on the herein leased premises at any time within one (1) year from the date hereof, said sum also being part consideration for lessee's right to delay such operations under the conditions hereinafter provided.

Should lessee fail to begin operations for the drilling of a well on the premises within the one (1) year period above provided then the said lessee is granted the right to defer such operations for an additional one (1) year period by paying to lessor the sum of Sixteen Thousand Three Hundred Seventy Five (\$16,375.00) Dollars on or before the expiration of the one (1) year period from the date hereof; and provided further, that lessee may delay such operations for the drilling of a well on the herein leased premises for another additional period of one (1) year by paying to lessor the sum of Sixteen Thousand Three Hundred Seventy Five & No/100 (\$16,375.00) Dollars on or before the expiration of two (2) years from the date hereof; provided, however, that lessee's right to defer the beginning of the drilling of a well on the herein leased premises shall not exceed in the aggregate three (3) years from the date of this lease.

If during the period of three (3) years from date hereof of lessee shall begin drilling on the premises and shall thereafter cease such drilling operations for more than ninety (90) days prior to developing oil, gas or other mineral in paying quantities, then the said lessee may continue his rights in effect for the remainder of said three (3) year period by resuming payments as above provided, and by paying to lessor within ninety (90) days from the cessation of such drilling operations the payment for the current period which lessee must have paid to maintain his rights had lessee begun no such operations.

II.

(a) If at any time during said three (3) year period lessee shall commence operations for the drilling of a well upon said leased premises, lessee shall thereupon have the right to select and retain under the terms and conditions of this lease twenty thousand (20,000) acres surrounding said well, free from the rental hereinbefore stipulated, said selection to be made by lessee at the time of completion of said well, or thereafter, at the option of said lessee, provided said operations on said well are continued to completion or abandonment thereof, and provided further, that said operations on said acreage are continuous thereafter, in the sense that until oil, gas or other mineral is produced in paying quantities not more than ninety (90) days shall lapse between the abandonment of work on one well and the beginning of operations for the drilling of another well, and if said operations result in the production of oil, gas or other mineral this lease shall remain in full force and effect as to said twenty thousand (20,000) acres so long thereafter as oil, gas or other mineral is produced in paying quantities from any well on said twenty thousand (20,000) acres.

(b) Having so commenced the drilling of said well referred to in the paragraph (a) next preceding, and having thereby earned

the right to hold and retain under the terms and conditions of this lease twenty thousand (20,000) acres surrounding said well free of rental, lessee is granted the right of continuing said lease as to all of the remainder of the acreage embraced therein, less said twenty thousand (20,000) acres, from year to year for the full period said twenty thousand (20,000) acres is held by the operations hereinabove stipulated, by paying to lessor in advance the annual rental of Fifteen Thousand Seven Hundred Seventy Five (\$15,775.00) Dollars, which, when so paid, shall serve to extend said lease as to such remaining acreage for the full period of one year.

(c) If at any time while this lease is in force, lessee commences operations for the drilling of another well on another prospective area, separate from the area hereinabove provided for, he shall have then earned the right to select and retain under the terms and conditions hereof an additional area of twenty thousand (20,000) acres surrounding said well, free from the rentals hereinbefore stipulated, said selection to be made by lessee at the completion of said well, or thereafter, at lessee's option, provided said operations on said well are continued to completion or abandonment thereof, and provided further, that said operations on said area are continuous thereafter in the sense that until oil, gas or other mineral is discovered not more than ninety (90) days shall lapse between the abandonment of work on one well and the beginning of operations for the drilling of another well on said prospective area, and if said operations result in the production of oil, gas or other mineral this lease shall remain in full force and effect as to said area of twenty thousand (20,000) acres so long thereafter as oil, gas or other mineral is produced in paying quantities from any well on said area.

(d) Having so commenced the drilling of said well referred to in paragraph (c) next preceding, and having thereby earned the right to hold and retain under the terms and conditions of this lease an additional twenty thousand (20,000) acres surrounding said well free of rental, making a total of forty thousand (40,000) acres which lessee shall be entitled to retain free of rental, lessee is granted the right of continuing said lease as to all of the remainder of the acreage embraced herein, less said forty thousand (40,000) acres, from year to year for the full period said forty thousand (40,000) acres is held by the operations hereinabove stipulated, by paying to lessor in advance the annual rental of Fifteen Thousand One Hundred Seventy Five (\$15,175.00) Dollars, which when paid shall serve to extend said lease as to such remaining acreage for the full period of one (1) year.

(e) If at any time while this lease is in force, lessee commences operations for the drilling of another well on a third and separate prospective area from the prospective area mentioned in the paragraphs (a) and (c) above, he shall have then earned the right to retain under the terms and conditions of this lease the entire acreage embraced herein free from any rentals, so long as operations on each of said three separate prospective areas are continuous, in the sense that until oil, gas or other mineral is produced in paying quantities not more than ninety (90) days shall lapse between the abandonment of work on one well and the beginning of operations for the drilling of another well, and if said operations on said three separate areas result in the production of oil, gas or other mineral this lease shall remain in full force and effect so long thereafter as oil, gas or other mineral is produced in paying quantities from any well on each of said area.

(f) If at any time while this lease is in force, lessee decides that he no longer wishes to carry on drilling operations upon any one of said separate prospective areas hereinabove referred to, then and in that event he shall have the right, at his

option, to cease operations thereon and resume, within ninety (90) days from date of such cessation of operations, the payment to lessor of an annual rental in advance of Fifteen Thousand One Hundred Seventy Five (\$15,175.00) Dollars, which when paid shall extend this lease from year to year so long as lessee continues operations upon the two other prospective areas, or lessee may, at his option, surrender all the acreage embraced herein, save and except forty thousand (40,000) acres embraced in the remaining two prospective areas upon which lessee continues said operations.

(g) If at any time while this lease is in force, lessee decides that he no longer wishes to carry on drilling operations upon any two of said prospective areas hereinabove referred to and described, then and in that event he shall have the right, at his option, to cease operations thereon and resume, within ninety (90) days from date of such cessation of operations, the payment to lessor of an annual rental in advance of Fifteen Thousand Seven Hundred Seventy Five (\$15,775.00) Dollars, which when paid shall extend this lease from year to year so long as lessee continues operations upon the remaining prospective area located upon the leased premises, or lessee may, at his option, surrender all the acreage embraced herein, save and except twenty thousand (20,000) acres embraced within the prospective area upon which lessee continues said operations.

(h) The payments of rental referred to in the paragraphs (b), (d), (f) and (g) above shall be made for the current year in which lessee ceases operations upon said respective areas, and may be made by the check or draft of lessee mailed or delivered to lessor.

III.

In event oil, gas or other mineral is discovered in paying quantities on any one of said prospective areas then this lease shall remain in full force and effect as to twenty thousand (20,000) acres surrounding said well so long as production continues therefrom; and in event oil, gas or other mineral is discovered in paying quantities on as many as three (3) separate areas, then and in that event this lease shall remain in full force and effect as to the entire acreage herein leased so long as oil, gas or other mineral is produced in paying quantities from said three separate areas.

If after oil, gas or other mineral is discovered in paying quantities production on any of said separate areas should cease, this lease shall not be terminated thereby as to such area, if lessee, within ninety (90) days from the date of such cessation, resumes operations for the drilling of additional wells or reworking existing wells on said area, or if lessee is at that time prosecuting drilling operations upon one or more other separate areas located upon the leased premises, said lessee is granted the right and privilege within said ninety (90) days period from the date of said cessation of production of resuming the payment of the annual rental stipulated in article II hereof in lieu of such drilling or reworking operations.

If in the exercise of the rights herein granted oil, gas or other mineral is discovered in paying quantities in or on the leased premises, said lessee binds himself to thereafter proceed with the further development of said premises with reasonable diligence and to so continue until a reasonable development of the property has been accomplished.

Lessee further agrees that he will, while maintaining this lease in effect, drill any and all wells necessary on the premises to prevent material drainage of oil and/or gas therefrom by wells on adjoining property.

IV.

Should oil, gas and/or other mineral be produced in paying quantities on the premises hereunder, then the said lessee shall deliver to lessor as royalty, free of expense:

One-eighth (1/8th) of all oil produced and saved, delivery of said oil to be understood as made when same has been received by the first purchaser thereof. Or lessee may, in lieu of said oil delivery, and at his option, pay lessor sums equal to the value thereof on the premises; provided, that the price paid lessor for said oil shall not be less than the average posted pipe line price then current for oil of a like grade or quality.

One-eighth (1/8th) of all gas produced and utilized, delivery of said gas to be understood as made when same has been received by the first purchaser thereof. Or lessee may in lieu of said gas delivery, and at his option, pay to lessor sums equal to the value thereof at the well, provided that the price paid lessor for said gas shall not be less than the average price then current for gas of like character or quality.

Two (\$2.00) Dollars per long ton for all sulphur produced and saved.

Ten (10¢) cents per ton for all potash produced and saved.

One-eighth (1/8th) of any and all other minerals not specifically mentioned, said royalties to be delivered or paid as is the accepted custom in such matters.

V.

Should lessee, at any time after beginning to exploit the premises as understood herein, decide that he no longer cares to carry on drilling operations, then the said lessee is granted the right to cease such operations, and lessee shall, if he so elects, retain his rights in and to ten (10) acres of the property for each and every well which lessee shall have drilled thereon in an effort to produce oil or gas therefrom; provided that said well or wells shall be located on that portion or portions of the property so retained by lessee; and provided further, that lessee's rights in and to that portion of the premises so retained shall endure only so long as lessee shall produce oil, gas or other mineral from one or more of said wells on said premises in paying quantities.

Should lessee at any time elect to abandon operations as above provided, then lessee shall notify lessor in writing of his intention to so do, and shall specify what portion or portions of the said premises the said lessee is entitled by virtue hereof to retain and operate; and lessee shall, as soon as practicable thereafter, execute any instrument or instruments necessary to a proper release of the undeveloped portion of the premises.

VI.

It is agreed and understood that lessee shall not be required to drill more than one (1) well for each forty (40) acres held hereunder where the premises shall prove to be productive of gas only, save and except where such well, or wells, are necessary to prevent drainage of gas from the said premises by wells on adjacent property; and it is further agreed that should

lessee at any time elect to abandon drilling operations as provided in paragraph V hereof, then the said lessee shall be entitled to retain his rights in and to forty (40) acres for each and every gas well from which he shall at such time be producing gas in paying quantities; provided also, that any well or wells so producing shall be located on that portion or portions of the property retained by lessee; and provided further, that lessee's right to so hold such portion or portions of the said premises shall endure only so long as lessee shall produce therefrom gas in paying quantities.

VII.

If at any time during the life of this lease, lessee elects to no longer maintain the rights herein granted in effect, then the said lessee shall have the right to release and reassign unto lessor any and all rights hereby held unto lessee, whereupon this contract shall wholly terminate.

VIII.

It is agreed and understood that operations hereunder shall offer no impediment to navigation.

IX.

It is further agreed and understood that no transfer, whether in whole or in part, of the herein leased property shall be valid unless such transfer or assignment be approved by the Governor of the State of Louisiana.

THUS DONE, READ, ACCEPTED AND SIGNED by the parties hereto, the lessor, the State of Louisiana, herein represented by O. K. Allen, Governor, and the lessee, Wm. T. Burton, in the presence of Lucille May Grace and Carl Campbell, and before me, R. H. Flower, Assistant Secretary of State, on this 3rd day of July, A. D. 1935.

Witnesses:

Lucille May Grace

Carl Campbell

O. K. Allen Governor
For the State of Louisiana, Lessor

Wm. T. Burton
Lessee

R. H. Flower
Assistant Secretary of State

